

Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Capital Facilities and Administrative Services

Utah Department of Administrative Services  
**Internal Service Funds**  
**Division of Fleet Operations**

Contents:

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## 1.0 Summary: Division of Fleet Operations

The Division of Fleet Operations was established as a new division of Administrative Services in 1996. Utah Code (63A-9-401) empowers the division to coordinate all purchases of state vehicles, establish fleet authorization and information systems, and make rules for all aspects of vehicle acquisition maintenance, resale, and utilization. The division also includes the State and Federal Surplus property programs, which were housed in the Division of Purchasing and General Services prior to 1996.

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
<b>Financing by Source</b>			
Dedicated Credits - Intragvt Rev	39,533,800		39,533,800
<b>Total</b>	<u>\$39,533,800</u>	<u>\$0</u>	<u>\$39,533,800</u>
<b>Expenditures by Program</b>			
ISF - Motor Pool	23,216,100		23,216,100
ISF - Fuel Network	14,151,000		14,151,000
ISF - Fleet Administration			
ISF - State Surplus Property	635,600		635,600
ISF - Federal Surplus Property	383,000		383,000
<b>Total</b>	<u>\$38,385,700</u>	<u>\$0</u>	<u>\$38,385,700</u>
<b>Profit/Loss</b>	<u>\$1,148,100</u>	<u>\$0</u>	<u>\$1,148,100</u>
<b>FTE/Other</b>			
Total FTE	47		47
Authorized Capital Outlay	18,329,700		18,329,700
Retained Earnings	5,934,700		5,934,700

## **2.0 Issues**

### **2.1 General Fund Borrowing**

During the 1999 General Session, the Legislature appropriated \$4 million of ongoing General Fund to reduce the growth of General Fund borrowing in the Division of Fleet Operations. The allocation proved to be instrumental in offsetting losses from previous vehicle purchases, but lower than expected revenue resulted in a shift of capitalization funds to more pressing needs. Without a general fund subsidy, agencies will need to find funds to cover the full cost of vehicle ownership. Options for increasing rates are included in the Fleet Capitalization section of this report.

### **2.2 Response to Intent Language**

In response to growing concerns that the Federal and State Surplus property programs operated at significant deficits, the Legislature directed the Department of Administrative Services to provide an analysis of key issues and to offer a plan for program solvency. The Executive Appropriation Committee accepted the report in May and referred it to the Capital Facilities Committee for further action. The Analyst provides further information in the budget recommendations for each program.

### **2.3 Fleet Reduction**

Intent language included in the 2002 Appropriations Act required a five percent reduction in fleet size with the exception of the Department of Public Safety:

*It is the intent of the Legislature that the Division of Fleet Operations work with the agencies to reduce the size of the fleet, except for vehicles for sworn officers, by five percent by the end of FY 2003.*

A progress report is included with the Motor Pool recommendation below.

### 3.0 Programs: Internal Service Fund – Fleet Services

#### 3.1 Fleet Services - Administration

	2002	2003	2004	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
<b>Total</b>	\$0	\$0	\$0	\$0
<b>Expenditures</b>				
Personal Services	661,100	718,900	721,500	2,600
In-State Travel	1,500	1,500	1,500	
Out of State Travel	3,200	3,200	3,200	
Current Expense	99,800	99,800	99,800	
DP Current Expense	40,600	94,600	95,600	1,000
DP Capital Outlay	8,700	7,500	6,300	(1,200)
Other Charges/Pass Thru	(822,900)	(925,500)	(927,900)	(2,400)
<b>Total</b>	(\$8,000)	\$0	\$0	\$0
<b>Profit/Loss</b>	\$8,000	\$0	\$0	\$0
<b>FTE/Other</b>				
Total FTE	11	11	11	0

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Administration program is responsible for the accounting and budget functions of the Division of Fleet Operations. This section is also responsible for billing and associated activities. In addition, it coordinates the annual rate package for Internal Service Funds and distributes the annual fleet operations budget for the Division.

Administration also oversees the statewide fleet management information system (CARS database) and the statewide fuel network which serves approximately 600 state and local agencies. This program is staffed primarily with technical support personnel skilled in computer programming, LAN infrastructure maintenance, electronic fuel equipment maintenance and customer service telephone support/training.

Last year the Analyst expressed concern that Administration overhead appeared to be growing faster than programs. With adjustments made within the administration program, the Division maintains an overhead factor of less than two and a half percent.

	Total Expenditures	Administration	Overhead
FY 2004	\$38,385,700	\$927,900	2.42%
FY 2003	\$37,562,000	\$925,500	2.46%
FY 2002	\$35,634,200	\$822,900	2.31%
FY 2001	\$37,312,700	\$842,400	2.26%

### 3.2 Fleet Services - Motor Pool

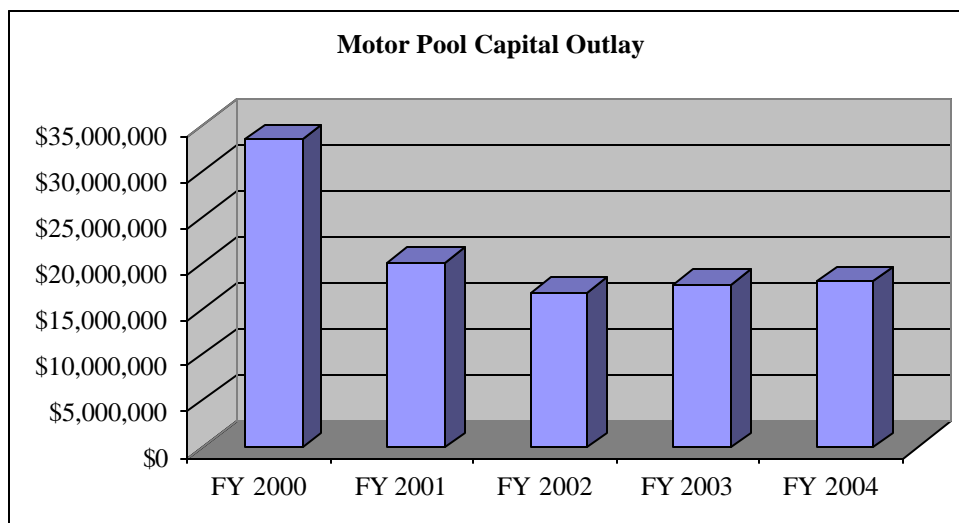
	2002	2003	2004	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
Dedicated Credits - Intragvt Rev	21,824,300	23,441,900	24,153,000	711,100
<b>Total</b>	<b>\$21,824,300</b>	<b>\$23,441,900</b>	<b>\$24,153,000</b>	<b>\$711,100</b>
<b>Expenditures</b>				
Personal Services	1,022,900	971,500	974,300	2,800
In-State Travel	2,100	1,600	1,600	
Out of State Travel	600	600	600	
Current Expense	8,808,600	7,968,900	7,968,900	
DP Current Expense	53,600	77,200	79,600	2,400
DP Capital Outlay	85,200	85,200	85,200	
Other Charges/Pass Thru	1,322,000	1,178,400	1,028,800	(149,600)
Depreciation	10,003,600	12,570,000	13,077,100	507,100
<b>Total</b>	<b>\$21,298,600</b>	<b>\$22,853,400</b>	<b>\$23,216,100</b>	<b>\$362,700</b>
<b>Profit/Loss</b>	<b>\$525,700</b>	<b>\$588,500</b>	<b>\$936,900</b>	<b>\$348,400</b>
<b>FTE/Other</b>				
Total FTE	19	17	17	0
Authorized Capital Outlay	32,149,500	36,020,300	17,948,600	(18,071,700)
Retained Earnings	4,659,700	5,248,200	6,185,100	936,900

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

Fleet Operations is responsible for all management accountability associated with the operation of statewide vehicle fleet, central motor pool operation, division wide safety objectives/compliance and the underground storage tank program. The central motor pool operates a vehicle fleet of approximately 4,100 vehicles and manages several small daily rental mini-pools located along the Wasatch front. The program also administers the division safety program, vehicle accident management program, federal alternative fuel program and coordinates the statewide underground storage tank program.

#### *Capital Outlay*

Beginning with Fiscal Year 2000, all fleet expansions must be capitalized up-front. Therefore, the Capital Outlay recommendation is only for replacement vehicles currently authorized to be in the fleet - any addition to the State fleet must be approved and funded by an agency's appropriation committee prior to acquisition by the Division of Fleet Operations.. For Fiscal Year 2003, the Analyst supports the Division request for authority to purchase replacement vehicles in an amount not to exceed \$17,948,600. Although this appears to be half of previous authorizations, this more accurately reflects Division needs. Past authorizations included "unused capacity" from prior years that unnecessarily inflated the outlay level. The table on the next page shows the annual level of vehicle purchases for the state fleet.



*Note to capital  
authorization*

The Analyst is recommending this level of capital authorization subject to the availability of working capital. Absent any other mechanism, the majority of the funding for fleet capitalization will come from General Fund borrowing.

*DFO Report Cards*

In working with State Agencies and Higher Education to maximize fleet management, the Division of Fleet Operations prepares quarterly report cards that measure progress on objective standards. Summary information is presented here. The Division of Fleet Operations provided the expanded data to agencies and the Analyst.

<b>Fall 2002 DFO Report Cards</b>		
<i>Summary</i>	Fall 2002	Cummulative
	GPA	GPA
BATC	3.5	2.8
CEU	2.3	2.5
CEUSJC	2.3	1.0
DATC	2.7	2.9
Dixie College	3.4	3.3
UDOT	3.7	3.0
<b>Fleet Ops</b>	<b>3.8</b>	<b>3.5</b>
DNR	2.8	2.4
OWATC	2.5	2.3
Snow College	2.9	2.4
SLCC	3.5	2.9
SUU	3.7	3.3
UBATC	3.4	3.5
Uof U	3.4	2.5
USU	3.2	2.7
UVSC	2.8	2.3
WSU	3.6	2.6

The only agency with a grade of “A” is the Division of Fleet Operations. One should expect the Motor Pool managers to lead the way in vehicle maintenance. State agencies and higher education must continue to work with DFO to improve performance. The goal of consolidation was to reduce costs, eliminate General Fund borrowing and reduce the size of the fleet.

*Fleet Reduction  
Progress*

In response to concerns about the size and composition of the state fleet, the Legislature approved the following intent language:

*It is the intent of the Legislature that the Division of Fleet Operations work with the agencies to reduce the size of the fleet, except for vehicles for sworn officers, by five percent by the end of FY 2003. (Senate Bill 1, 2002 General Session)*

The language gives agencies and higher education institutions until June 30 to provide the five percent reduction. However, institutions within the USHE are now reporting additional vehicles that they recently “discovered” on campus. The DFO annual report shows that Utah State University added 42 vehicles to the database that were omitted because they were part of federal grants or used exclusively on research farms. Other colleges and the Department of Transportation report additional vehicles as well – the total increase of 81 vehicles to the fleet count.

<b>DFO Fleet Count Audit Results</b>			
	Pre-Audit	Post-Audit	Difference
Utah State University	662	704	42
Utah Valley State College	123	137	14
Weber State University	140	145	5
Salt Lake Community College	113	117	4
Southern Utah University	123	127	4
University Of Utah	480	484	4
College Of Eastern Utah	56	59	3
Snow College	44	45	1
UCAT	76	77	1
Transportation	1802	1805	3
<b>Total "Found" Vehicles</b>			<b>81</b>

*Audit may be  
required to ensure  
compliance*

The Division of Fleet Operations is designed as a service agency, not an enforcement agency. With only 17 FTE in the Motor Pool program there is no room to perform a full time auditing function. Fleet management is dependent on accurate and consistent information from state agencies and institutions. However, if user agencies can not provide reliable data an audit function may be necessary. This would increase rates to user agencies, a recommendation that the Analyst is hesitant to make. To provide a window of opportunity for agencies to ensure compliance, the Analyst recommends approval of the following intent language:

*It is the intent of the Legislature that every department of state government and the Utah System of Higher Education (including UCAT) provide written confirmation of fleet size and composition to the Division of Fleet Operations no later than June 30, 2003. It is further the intent of the Legislature that the Division of Fleet Operations reconcile fleet counts to the statewide Fleet Anywhere Database to use as a baseline for future analysis and potential audit of fleet size and composition.*



*Agencies should reconcile fleet count with DFO data*

If approved, this will require agencies and institutions to reconcile fleet counts with the Division of Fleet Operations at the same time as they meet the requirement for a five percent reduction as required in the 2002 Appropriations Act. The reduction sought for FY 2003 targets ongoing expenses for fleet management, but there may be a loophole in the requirement that would allow agencies to count vehicles that were already scheduled for elimination as part of their reduction. Some vehicles in the Fleet Anywhere system are classified as “Do Not Replace” which lowers rates and indicates limited use for a vehicle. Any automobile classified in this manner will be sold without replacement once the program it is attached to concludes. To ensure that agencies reduce ongoing costs, the Analyst also recommends adoption of clarifying intent language:

*It is the intent of the Legislature that agencies shall comply with the five percent fleet reduction as directed in Senate Bill 1, 2002 General Session through reductions in vehicles scheduled for replacement. It is further the intent of the Legislature that agencies shall not use vehicles classified as “specialty” or “construction” vehicles in meeting the five percent figure.*

*Not all Public Safety Vehicles are dedicated to law enforcement*

Another anomaly in the language passed last year is that the exemption for “sworn officers” effectively removed the entire Department of Public Safety from the reduction requirement.<sup>1</sup> The title of “sworn officer” extends to most employees within the Department of Public Safety and is not limited to just Highway Patrol Officers. The Department of Public Safety fleet includes more than just patrol vehicles, although more than 500 employees in the department receive commute privileges.

**Distribution of 718 Vehicles in the Utah Department of Public Safety**

Traditional Vehicle		4x4 Vehicles		4x2 Truck/Van/SUV		Specialty Vehicle	
		< 1 Ton		< 1 Ton			
Sedan	96	Truck	66	Truck	23	Bus	0
		1 Ton +		1 Ton +		Motor-	
Patrol	437	Truck	2	Truck	4	home	2
Motorcycle	22	SUV	22	SUV	0	Aviation	2
		4x4		4x2		Confined	
		Van		Van		Area	
Total		Total		Total		Total	
Trad Vehicle	555	4X4 Veh	90	4X2 Veh	64	Specialty	9

<sup>1</sup> Most DPS employees, including administrators, are “sworn officers.”

Even for the Department of Public Safety, there is potential to find savings in operating budgets through better fleet management. In reporting on DPS and Department of Corrections (UDC) fleet issues in April, the Analyst found the following:

... few, if any, agencies are closely scrutinizing fleet composition. In conducting a study of 4x4 vehicles last year, no agency was able to quickly identify the number of 4x4s or SUVs in their possession. Given that budgets are as tight as they have been in 15 years, it seems that a primary place to find cost savings would be in vehicle leases. A reduction of just ten percent in Department of Public Safety and Utah Department of Corrections fleet costs would save a combined \$700,000 – and could be accomplished without taking vehicles away from Highway Patrol or Parole Officers.<sup>2</sup>

*DPS may expand  
fleet without limit*

Both DPS and UDC are fleet intensive agencies (UDC vehicles are primarily assigned to Parole Officers). Core missions within each department require continuous use of a vehicle. This core function does not necessarily mean that every vehicle in these agencies are used for continuous law enforcement functions that should exempt the agency as a whole from sharing in cost cutting proposals. While other agencies are reducing vehicle counts, the Department of Public Safety actually requested permission to expand fleet size with no limit other than a requirement to find non-state funds for capitalization costs.

*It is the intent of the Legislature that the Department of Public Safety may expand the fleet from existing funds or alternate sources of revenue that become available. (Item 38, Senate Bill 1, 2002 General Session)*

DPS officially requested this language again for FY 2004. The Analyst believes this runs counter to Legislative goals for fleet control and consolidation and recommends that this language not be renewed for FY 2004.

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<sup>2</sup> Walthers, Kevin. (April 23, 2002) *Fleet Issues in the Department of Public Safety and Utah Department of Corrections*. Salt Lake City, UT: Legislative Printing. <http://www.leg.state.ut.us/lfa/reports/dpsudcfleet.pdf>

### 3.3 Fleet Services - Fuel Network /Management Information System (MIS)

	2002	2003	2004	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
Dedicated Credits - Intragvt Rev	13,231,900	13,841,800	14,257,100	415,300
<b>Total</b>	<b>\$13,231,900</b>	<b>\$13,841,800</b>	<b>\$14,257,100</b>	<b>\$415,300</b>
<b>Expenditures</b>				
Personal Services	446,000	452,700	454,300	1,600
In-State Travel	600	600	600	
Out of State Travel	500	500	500	
Current Expense	12,353,800	12,756,600	13,244,000	487,400
DP Current Expense	10,500	21,400	24,700	3,300
Other Charges/Pass Thru	414,700	308,100	224,100	(84,000)
Depreciation	160,100	151,600	202,800	51,200
<b>Total</b>	<b>\$13,386,200</b>	<b>\$13,691,500</b>	<b>\$14,151,000</b>	<b>\$459,500</b>
<b>Profit/Loss</b>	<b>(\$154,300)</b>	<b>\$150,300</b>	<b>\$106,100</b>	<b>(\$44,200)</b>
<b>FTE/Other</b>				
Total FTE	9	9	9	
Authorized Capital Outlay	1,440,500	1,422,900	275,000	(1,147,900)
Retained Earnings	(449,300)	(299,000)	(192,900)	106,100

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

This program centrally manages all aspects associated with the Division's telecommunication services, computer information systems, and consolidated electronic refueling stations. The Fuel Network uses capital outlay authorizations to replace card readers and fuel tank monitors. A new program will necessitate the additional upgrade of fuel dispensers. In FY 2003 all capital upgrades were completed within existing authorizations. For FY 2004 the Analyst supports the agency request for \$275,000 in Capital Outlay as described below.

- *Card Readers* The GasCard program includes more than 100 participants. A key component of the program is a card reader system that collects data on fuel efficiency and utilization. The Fuel Network replaces readers on a six-year depreciation cycle and needs to replace ten readers this year at a total cost of \$75,000.
- *Tank Monitor Replacements* Tank monitors are a depreciating asset subject to changing technology. Without scheduled updates, the replacement parts will become more expensive than complete replacement. Updates from older systems are able to incorporate new technology without complete replacement costs and provide the ability to increase the level of functionality. This year replacements and upgrades are expected to cost \$100,000.
- *Pathway Plus* The Fuel Network program implemented an automatic inventory and compliance system for all fuel sites. To make the system fully functional 82 dispensers must be upgraded at a total cost of \$100,000.

### 3.4 Surplus Property

#### *Federal Surplus Property*

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	340,300	340,400	350,600	10,200
<b>Total</b>	<u>\$340,300</u>	<u>\$340,400</u>	<u>\$350,600</u>	<u>\$10,200</u>
<b>Expenditures</b>				
Personal Services	221,600	222,700	223,200	500
In-State Travel	300	300	300	
Out of State Travel	7,800	7,800	7,800	
Current Expense	59,100	75,700	75,000	(700)
DP Current Expense	3,700	14,100	14,500	400
DP Capital Outlay	4,700	4,400	4,200	(200)
Capital Outlay	13,100	12,700	12,500	(200)
Other Charges/Pass Thru	57,200	47,400	45,500	(1,900)
<b>Total</b>	<u>\$367,500</u>	<u>\$385,100</u>	<u>\$383,000</u>	<u>(\$2,100)</u>
<b>Profit/Loss</b>	<u>(\$27,200)</u>	<u>(\$44,700)</u>	<u>(\$32,400)</u>	<u>\$12,300</u>
<b>FTE/Other</b>				
Total FTE	5	5	4	(1)
Authorized Capital Outlay	109,000	109,000		(109,000)
Retained Earnings	(37,200)	(81,900)	(114,300)	(32,400)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### *Federal Surplus losses are growing*

The Federal Surplus Program acquires and donates federal property to public and non-profit agencies, which presently exceed 600 accounts. A handling fee is charged to agencies acquiring surplus property. These dedicated credits fund the operation while offering a means for state, county, and local agencies to purchase equipment at reduced rates. However, rates charged since 1998 failed to recover sufficient amounts to cover operating expenses.

<b><u>Federal Surplus Property Profit/Loss</u></b>			
<b>Year</b>	<b>Revenue</b>	<b>Expense</b>	<b>Retained Earnings</b>
1994	\$732,164	\$522,750	\$431,809
1995	\$602,032	\$571,372	\$462,469
1996	\$655,853	\$589,698	\$528,624
1997	\$398,888	\$559,049	\$368,463
1998	\$374,344	\$697,468	\$45,339
1999	\$798,577	\$770,823	\$73,093
2000	\$623,722	\$518,148	\$178,667
2001	\$338,284	\$526,972	(\$10,021)
2002	\$340,400	\$347,600	(\$17,221)
2003 (Est.)	\$340,400	\$365,900	(\$42,721)
2004 (Est.)	\$350,600	\$364,500	(\$56,621)
<b>Averages</b>	<b>\$505,024</b>	<b>\$530,389</b>	

*Response to  
Intent Language*

In response to continuing and growing losses in the Surplus Property Program during the 2002 General Session, the Legislature approved the following intent language:

*It is the intent of the Legislature that the Department of Administrative Services shall prepare a report outlining options for Federal Surplus Property. The options should include a plan for solvency and options for terminating the program. It is anticipated that DAS will deliver this report to the Fiscal Analyst no later than June 30, 2002 and that the Executive Appropriations Committee will hear the report and a staff response.*

*Performance  
Measures*

The report offered ten steps to making the Federal Surplus program solvent. Six of the steps required a qualitative assessment of processes. Two other measures offered by the division have proven to be unworkable. One measure sought to increase the number of eligible donees, but the Division found that they had previously over-counted donees to begin with and that eligibility was already near 100 percent. Another method sought to increase the frequency of auctions and 32 online auctions have been held since that time. The auctions reaped, in total, only \$7,677, an indication that demand still remains low. Progress on two quantitative measures are shown in the chart below.

<b>Federal Surplus Performance Measures</b>				
	<i>FY 2002</i>	<i>FY 2003 YTD</i>	<i>FY 2003 Goal</i>	<i>Difference</i>
Property Donated	\$7,511,000	\$1,707,000	\$11,266,500	#####
Law Enforcement Donations	\$1,009,337	\$243,278	\$1,514,006	#####

*Source: Division of Fleet Operations*

At the time of the interim report the Department of Administrative Services reported revenue of \$385,000 from 29,477 donations to 222 donees.<sup>3</sup> According to the report, the value of the donations totaled nearly \$8.4 million. This means that the Federal Surplus Program receives approximately 4.6 percent of total value in return for providing surplus property. Federal regulations limit the amount a State Agency for Surplus Property can charge to the actual cost of providing an item. It seems clear that the Utah program could raise rates without Federal concerns since expenses continue to lag behind revenue.

The Analyst concern regarding solvency for the program continues. Local governments and non-profit entities eligible for donated property claim that the service allows them to purchase equipment they could not otherwise afford. If this is the case, then the benefiting agencies should be able to provide funds at a level that will maintain the program. If the program is unable to show profitability by the end of FY 2004 the Legislature should give serious consideration to termination.

<sup>3</sup> The report seemed to have a calculation error and the actual donee number should have been 187.

*State Surplus  
Property*

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	900,600	750,600	773,100	22,500
<b>Total</b>	<u>\$900,600</u>	<u>\$750,600</u>	<u>\$773,100</u>	<u>\$22,500</u>
<b>Expenditures</b>				
Personal Services	296,200	305,500	306,500	1,000
In-State Travel	500	500	500	
Current Expense	172,700	213,300	212,100	(1,200)
DP Current Expense	4,100	10,400	11,300	900
DP Capital Outlay	4,500	4,500	4,500	
Capital Outlay	19,600	19,300	19,300	
Other Charges/Pass Thru	84,300	78,500	81,400	2,900
<b>Total</b>	<u>\$581,900</u>	<u>\$632,000</u>	<u>\$635,600</u>	<u>\$3,600</u>
<b>Profit/Loss</b>	<u>\$318,700</u>	<u>\$118,600</u>	<u>\$137,500</u>	<u>\$18,900</u>
<b>FTE/Other</b>				
Total FTE	6	5	6	1
Authorized Capital Outlay	106,100	106,100	106,100	
Retained Earnings	(199,300)	(80,700)	56,800	137,500

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Division sells state agency surplus property to the public subject to a 30-day purchase priority that is given to state and local government agencies. The best possible price is obtained by using varied sales methods; i.e., warehouse direct sales, sealed bids, spot bids and auction sales to the public.

*Program is showing  
profitability*

Last year the Analyst expressed concern with the long term viability of the State Surplus Property Program. The Legislature mirrored that concern by requesting that the Department of Administrative Services provide a plan for solvency for the program similar to the plan required for Federal Surplus Property.

The new rate structure for State Surplus Property allows the program to retain total proceeds from all sales in order to fund operating expenses. At the point in which the program shows a profit and no longer carries a negative retained earning balance the Division will proportionately rebate profits to state agencies. Unlike the Federal program, the State Surplus program is now showing signs of profitability and will be able to begin rebating earnings to state agencies in FY 2005.

Profitability is a bonus for the State in relation to disposal of old equipment. In addition to properly disposing of equipment in accordance with environmental law, State Surplus Property provides a consistent accountability structure for disposal of property. With a central system the State is protected against fraud and claims of fraud in the disposition of surplus property.

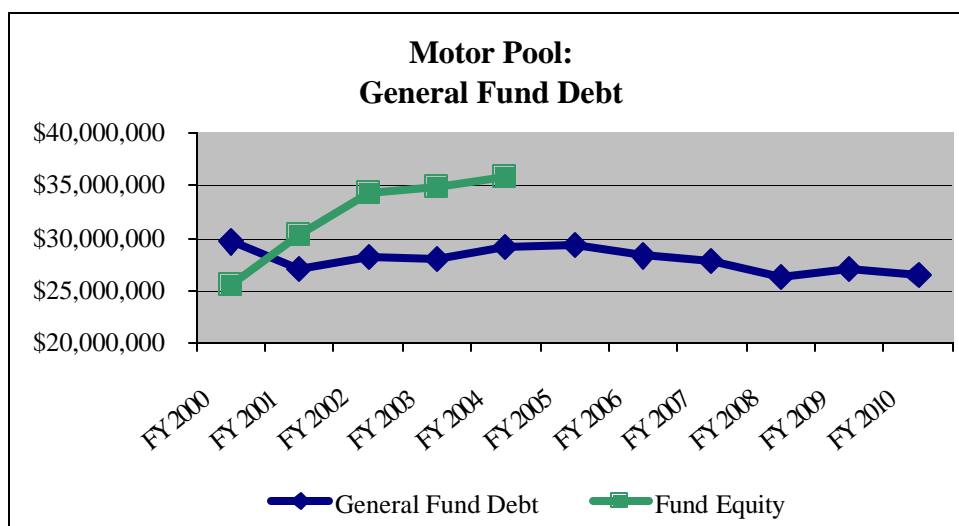
### 3.5 Fleet Capitalization

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	2,680,000			
<b>Total</b>	<u>\$2,680,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Expenditures</b>				
Other Charges/Pass Thru	2,680,000			
<b>Total</b>	<u>\$2,680,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>FTE/Other</b>				
*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency				

The Legislature appropriated \$4 million to the Division of Fleet Operations in Fiscal Year 2000 to help reduce the need for General Fund borrowing. In order to balance statewide budget needs part of the money was eliminated as part of FY 2002 Supplemental Appropriations and the entire appropriation was transferred to other needs in FY 2003.

*General Fund subsidy allowed DFO to set accurate rates*

During the three years that the Legislature subsidized agency lease rates the Division of Fleet Operations established more accurate rates that reflect the true cost of operating a vehicle. Additionally, the Legislature required any fleet expansion to include not only legislative approval, but also capitalization funds in advance. By doing this, the Division abated growth in General Fund debt. Allowing DFO to borrow from the General Fund for replacement vehicles provides flexibility to the state so long as the Motor Pool remains in a positive equity position and the State Treasurer can continue to manage the state's finances.



Note: Actual numbers for FY 2000-2002. FY 2003-2010 estimated.

Fund equity includes the value of assets (vehicles and revenue) compared to liabilities (expenses and General Fund debt). Since consolidation of the fleet and establishment of more accurate rates, fund equity increased by more than twenty percent.

## 4.0 Additional Information

	2000	2001	2002	2003	2004
<b>Financing by Source</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
Dedicated Credits - Intragvt Rev	33,260,300	37,424,500	36,297,100	38,374,700	39,533,800
<b>Total</b>	<b>\$33,260,300</b>	<b>\$37,424,500</b>	<b>\$36,297,100</b>	<b>\$38,374,700</b>	<b>\$39,533,800</b>
<b>Financing by Program</b>					
ISF - Motor Pool	19,448,700	20,740,000	21,824,300	23,441,900	24,153,000
ISF - Fuel Network	12,648,000	15,704,000	13,231,900	13,841,800	14,257,100
ISF - State Surplus Property	539,900	597,200	900,600	750,600	773,100
ISF - Federal Surplus Property	623,700	383,300	340,300	340,400	350,600
<b>Total</b>	<b>\$33,260,300</b>	<b>\$37,424,500</b>	<b>\$36,297,100</b>	<b>\$38,374,700</b>	<b>\$39,533,800</b>
<b>Expenditures</b>					
Personal Services	2,145,400	2,450,200	2,647,800	2,671,300	2,679,800
In-State Travel	8,200	10,200	5,000	4,500	4,500
Out of State Travel	19,600	14,600	12,100	12,100	12,100
Current Expense	20,921,300	24,844,600	21,494,000	21,114,300	21,599,800
DP Current Expense	87,400	137,900	112,500	217,700	225,700
DP Capital Outlay	185,400	154,700	103,100	101,600	100,200
Capital Outlay	6,742,700		32,700	32,000	31,800
Other Charges/Pass Thru	(446,100)	449,600	1,055,300	686,900	451,900
Depreciation	106,000	9,250,900	10,163,700	12,721,600	13,279,900
<b>Total</b>	<b>\$29,769,900</b>	<b>\$37,312,700</b>	<b>\$35,626,200</b>	<b>\$37,562,000</b>	<b>\$38,385,700</b>
<b>Profit/Loss</b>	<b>\$3,490,400</b>	<b>\$111,800</b>	<b>\$670,900</b>	<b>\$812,700</b>	<b>\$1,148,100</b>
<b>FTE/Other</b>					
Total FTE	49	51	49	47	47
Authorized Capital Outlay	20,881,315	20,098,600	33,805,100	37,658,300	18,329,700
Retained Earnings	2,902,700	2,967,900	3,973,900	4,786,600	5,934,700

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.